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FISCAL IMPACT REPORT

SPONSOR: Martinez DATE TYPED: 02/19/03 HB

SHORT TITLE: Municipal Detention Officer Retirement SB 577

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$0.1 See Narrative	Recurring	PERA
			\$0.1 See Narrative	Recurring	Local Government

(Parenthesis () Indicate Expenditure Decreases)

Relation to HB 116, HB 611

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 577 adds a new Public Employees Retirement Association (PERA) coverage plan for municipal detention officers employed by an affiliated-public employer, other than the state. Municipal detention officer plan 1, if approved by an election of the affected membership, would enhance service credit benefits by 20 %, sets a 3% percent pension factor, and an 80% of final average salary maximum pension annuity.

Contribution rates proposed in this bill are 16.65 % of salary from employees and 16.65 % of salary from employers, for a total of 33.3%. For detention officers currently covered by Municipal General Plan 3, this represents a 3.5 % increase in employee contributions and a 7.5 % increase in employer contributions.

Members must participate in municipal detention officer plan 1 for three years prior to being eligible for the improved retirement benefits.

Significant Issues

Currently, statewide detention officers employed by public-affiliated employers other than the state are covered under municipal general coverage plans 1, 2 and 3. All statewide detention officers are eligible to retire at any age with 25 or more years of service credit and, depending on which plan they are under, pay between 7% and 13.15% of their salary in contributions. Employers pay between 7 % and 9.15% of salary in contributions, depending on the relevant coverage plan.

FISCAL IMPLICATIONS

PERA's actuary completed a study to determine the actuarial cost of the increased benefits contained in SB 577. The actuaries calculated an 11 % increase in contributions would be required, in addition to what is currently paid, to adequately fund the enhanced benefits for detention officers now covered by municipal general plan 3.

Since SB 577 mandates the required 11 % contribution increase, this new plan would be adequately funded. However, this bill could result in a significant fiscal impact to local governments adopting this new plan.

ADMINISTRATIVE IMPLICATIONS

If this bill is adopted, PERA must implement the new plan, amend its regulations and update member informational publications. PERA believes that it can absorb this impact.

SB 577 adds another coverage plan to the 27 coverage plans currently administered by PERA. Since PERA is in the process of implementing a new computer information system, the addition of another coverage plan may result in a change order to the existing vendor contract. PERA would be required to absorb the costs of this change.

RELATIONSHIP

HB 116 and HB 611 improve retirement benefits for hazardous duty members.

RLG/sb